

23.5 Degrees Topco Limited

Registered number: 09180152

Annual report

For the year ended 31 August 2021

23.5 DEGREES TOPCO LIMITED

COMPANY INFORMATION

Directors	Mr M Hepburn Mr J B Cleland Mr L Contardo Mr B J Mulholland Mr M Snaith
Company secretary	Gateley Secretaries Limited
Registered number	09180152
Registered office	Unit 3, Hedge End Retail Park Charles Watts Way Hedge End Southampton Hampshire England SO30 4RT
Independent auditor	Mazars LLP Chartered Accountants & Statutory Auditor 5th Floor Merck House Seldown Lane Poole Dorset BH15 1TW

23.5 DEGREES TOPCO LIMITED

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23.5 DEGREES TOPCO LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 AUGUST 2021

The directors present their strategic report for the 23.5 Degrees Topco Limited (the 'Company') and its subsidiaries (the 'Group') together with the the audited consolidated financial statements for the year ended 31 August 2021.

Strategic overview

The 23.5 Degrees Group consists of 23.5 Degrees Topco Limited, 23.5 Degrees Holdings Limited and 23.5 Degrees Limited.

The principle activity of the Company during the year was that of a holding company.

The principal activity of the Group during the year was the operation of franchised Starbucks outlets.

23.5 Degrees Group is a private equity invested, dedicated Starbucks franchise chain with a business model focused on accelerated growth through new site development and ensuring that the Group operate the Starbucks store to the highest possible brand standards.

Review of the business

The year to 31 August 2021, heavily affected by the Covid-19 pandemic, presented numerous challenges for the Group as it operated within the rules and restrictions introduced by the authorities in order to contain the spread of the virus.

Nonetheless, the business performed strongly, aided by the government stimulus packages introduced to support the hospitality sector and the wider economy. Operationally the teams adapted well to ever changing health and safety rules, which saw multiple tiers of restrictions applied across the country for the majority of the year and the business reacting quickly to changes, putting its partners and customers' safety at the front of decision-making processes.

This allowed the Group to close the year with £66.7m sales (2020: £35.7m). All stores with the exception of one traded throughout the year following governmental guidelines and the business has successfully built upon its digital platform channel (delivery) launched in July 2020. During the year 12 stores were opened (10 Drive Thru and 2 Retail Park), bringing total store count to 85 and creating 479 new jobs across the UK.

As usual, but with more relevance throughout this unprecedented period, the directors' priority has been the wellbeing and safety of our workforce, our customers, the communities we trade within and all other company stakeholders (from Starbucks to suppliers and landlords).

During the last 12 months the business has invested in its new sales channels, being Delivery, Mobile Order and Pay (MOP) and Curbside which were initially launched in July 2020. The directors firmly believe these new channels, together with the drive through model were amongst the factors which allowed the business to successfully navigate through the last 18 months.

Headcount in support functions has been increased to underpin future growth ambitions. The directors believe focusing and investing in people is fundamental to the delivery of the company's vision and strategy. Investment in Apprenticeship level 3 and 5 accreditations should ensure staff retention and a pipeline of future talent capable of developing into senior operational roles as the business grows over the next 3 to 5 years.

Considering all of the challenges faced by the business in the last 18 months, the directors are delighted with its performance this financial year and with how it has navigated through the turbulent trading environment caused by the Covid-19 pandemic.

23.5 DEGREES TOPCO LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2021

Basis of preparation

Taking into consideration all actions successfully put in place by the business in the past 18 months and the agility to adapt to ever-changing guidelines, the directors have adopted the going concern basis of preparation for these accounts after assessing the principal risks and having considered the impact of downside scenarios for the following 12 months.

The major external variables in the forecast are potential further COVID-19 spikes driven by virus mutations, the fact vaccines might have to be constantly reviewed and potential inflationary pressures driven by Brexit.

All scenarios focused on stressing cashflows based on reduction of transactions or average transaction values, being the two main drivers of cash generation in the business. Whilst the situation continues to evolve daily, the board has considered a number of impacts on sales, profits and cash flows, identifying more than adequate mitigating actions in all cases.

Financial risk management objectives and policies

The Group's principal financial instruments comprise bank balances, trade creditors and loans due to group companies. The main purpose of these instruments is to raise funds for the Group's day to day operations and store build costs to accelerate the growth.

Due to the nature of the financial instruments used by the Company there is no exposure to price risk. The Group's approach to managing other risks applicable to the financial instruments concerned is shown below. In respect of the bank balances the liquidity risk is managed by maintaining a balance between continuity of funding and by monitoring cash conversion, which for this business is always above 1.

The liquidity risk around trade creditors and loans due to the Parent and the Holding Company is managed by ensuring sufficient funds are available to meet amounts due.

23.5 DEGREES TOPCO LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2021

Business risks

The principal risks and uncertainties affecting the Group can be summarised as follows:

(A) Current economic outlook

Changes in the country's economic conditions may impact consumer spending. The franchisor is mitigating the impact on the supply chain and inflationary pressures. 'Coffee culture' in the UK has also been built over the last 15 to 20 years and habits are ingrained in consumer behaviours. The directors believe the growth of the new digital channels (delivery and mobile order and pay) will position the business ahead of other competitors in the hospitality sector.

(B) Interest rate fluctuations

Changes to LIBOR and Bank of England rates may impact the Group cashflow to repay interest on the senior bank loan. To mitigate the interest rate fluctuation the directors have agreed to enter an interest cap hedging product at an appropriate strike rate.

(C) Increased competition

A larger number of franchisees operating in the same geographical areas could impact the company's success in securing new sites at competitive rates. The directors are confident of counteracting these risks by continuing to strengthen its covenant for landlord security. Over the past 12 months the pipeline of new stores has also increased to 50 from a base of 25 -30 in previous years.

(D) Pandemic evolution and potential restrictions to manage it

The directors are constantly monitoring the situation and following governmental and health and safety guidelines. Based on the performance of the business during the last 18 months, the business has proven resilient and is weathering the situation well.

23.5 DEGREES TOPCO LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2021

Key performance indicators

The Directors consider financial and non-financial key performance indicators on the day to day running of the business. The list below, by no means exhaustive, summarises the main indicators discussed by the Board:

- Sales by store
- Profitability by store
- Transaction by store
- Staff turnover
- Equal opportunity
- Cash conversion
- Staff wellbeing and safety
- Health and Safety
- Customer Service Levels
- Brand Operational Standards
- Development pipeline
- Waste sustainability
- Ethical sourcing

Future developments

The business growth strategy has 3 core areas of focus, referred to as the 3 cups, underpinned by the central function of HR, Legal and Finance:

In 'Cup 1' the Group must maintain improved profitability, whilst ensuring that the base remains stable as more stores are added to the Group. The development of the staff team to progress through our training programme is vital, as our baristas today are our store managers or area managers of tomorrow.

'Cup 2' is the Group's site delivery cup. The Group takes the Starbucks approved stores through legal and property challenges to deliver new stores to the operations team on day 1 of trading. In the year just closed 12 brand new stores were delivered.

'Cup 3' is the Group's property acquisition team who are scouring our territories in search of future new sites that will fit within the overall Starbucks estate, whilst delivering against stringent selection criteria, guaranteeing trading success once open. The Group focuses primarily on Drive Thru locations.

The directors are very proud to work with a robust, flexible and dedicated team who have worked tirelessly to develop the Group to where it is today for the benefit of everyone. The directors would like to thank them all for their efforts in the past 12 months, and for their continued commitment.

23.5 DEGREES TOPCO LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2021

Section 172 statement

As highlighted in the review of the business the year ended 31st August 2021 kept presenting several challenges for the Group as a result of the pandemic outbreak in 2020 and the measures introduced by the authorities in order to contain the spread of the virus whilst the vaccine roll out was implemented.

In normal circumstances the board always takes into account the impact of its strategic decisions on the wider stakeholders the Group interacts with (whether these are employees, shareholders, investors, the brand, suppliers and the communities it operates within) and this was even more relevant during the year this accounts represent.

During the past 18 months period in particular the directors worked very closely with shareholders, investors, the brand and key suppliers to ensure the decisions and actions taken would be of mutual benefit for everybody the Group interacts with.

Particular attention was dedicated to the well-being of the workforce, the preservation of jobs and supporting the local communities the Group operates within. This was achieved by implementing operational changes in line with the governmental and health and safety guidelines to keep our stores a safe place for our customers to visit and nurturing the community spirit the Starbucks brand is an ambassador for.

In March 2021 the Group also launched a reward and well-being platform to further engage with the workforce.

This report was approved by the board and signed on its behalf by:


Luca Contardo (Dec 21, 2021 15:29 GMT)

Mr L Contardo
Director

Date: Dec 21, 2021

23.5 DEGREES TOPCO LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2021

The directors present their annual report and the audited consolidated financial statements for the year ended 31 August 2021.

Directors

The directors who served during the year and to the date of this report were:

Mr M Hepburn
Mr J B Cleland
Mr L Contardo
Mr B J Mulholland
Mr M Snaith

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the audited consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £8,548,325 (2020: loss of £2,410,195).

The directors do not recommend the payment of a dividend for the year (2020: £nil).

Going concern

A review of the business is detailed within the Strategic Report on page 1 confirming the pleasing developments during the year that are in line with the strategic business plan. The directors have full commitment from investors and lenders to support the business strategy to roll out stores. The business has adequate funding and cash reserves to keep delivering its strategic objectives set by the board and in line with those objectives.

23.5 DEGREES TOPCO LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2021

Employee involvement

During the period, the policy of providing employees with information about the group has been continued and employees have also been encouraged to present their suggestions and views on the group's performance. Regular meetings are held between management staff and employees to allow a free flow of information and ideas.

Employment of disabled persons

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

23.5 DEGREES TOPCO LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2021

Greenhouse gas emissions, energy consumption and energy efficiency action

Carbon Emissions Using Location Based Emissions Factors		
	Units	2021
TURNOVER	£	66,716,851
BALANCE SHEET TOTAL	£	3,374,289
NUMBER OF EMPLOYEES	N	1,382
ENERGY INPUTS		
Total Purchased Electricity	kWh	6,874,964
Total Purchased Gas	kWh	0
Total Energy Use		6,874,964
EMISSIONS		
Scope 1 – Combustion of Gas	kgCO ₂ e	0
Total Scope 1 emissions	kgCO₂e	0
Scope 2 – Purchased Electricity	kgCO ₂ e	1,444,842
Total Scope 2 emissions	kgCO₂e	1,444,842
Total Emissions	kgCO₂e	1,444,842
Total Emissions	tCO₂e	1,445
Carbon Intensity	tCO₂e per £m Turnover	21.66

The Group did not undertake any energy efficiency initiatives during the year.

We have reported on all the emission sources required under the Directors' Report and Limited Liability Partnerships Energy and Carbon Report Regulations 2018. These sources fall within our consolidated financial statements. We do not have responsibility for any emission sources that are not included in our consolidated statement, other than those highlighted below.

This report is aligned with the GHG Protocol methodology. The GHG Protocol establishes comprehensive global standardised frameworks to measure and manage greenhouse gas ("GHG") emissions from private and public sector operations, value chains and mitigation actions. The framework has been in use since 2001, and forms a recognised structured format, to calculate a carbon footprint. Emission factors published annually by the UK government have been used for the purposes of company reporting.

Data has been collated from source documentation or, where this has been impracticable, using estimates. Calculations of emissions for the period have been made using a third-party.

23.5 DEGREES TOPCO LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2021

Matters covered in the strategic report

The group has prepared a Strategic Report in accordance with section 414C(11) of the Company Act 2006 and (Strategic Report and Directors' Report) Regulations 2013 and covers topics such as review of business, key performance indicators, future developments and business risks.

Events after the end of the reporting period

There were no events after the end of the reporting period affecting the Group and Company.

The Group has also rolled out 2 new drive through stores underpinning its strategy to keep rolling out this type of assets in the coming years. One in October and one in November.

Provision of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Auditor

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf by:


Luca Contardo (Dec 21, 2021 15:29 GMT)

Mr L Contardo
Director

Date: Dec 21, 2021

23.5 DEGREES TOPCO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 23.5 DEGREES TOPCO LIMITED

Opinion

We have audited the financial statements of 23.5 Degrees Topco Limited (the 'Company') and its subsidiaries (the 'Group') for the year ended 31 August 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Positions, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group and the Parent Company's affairs as at 31 August 2021 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

23.5 DEGREES TOPCO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 23.5 DEGREES TOPCO LIMITED

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 23.5 DEGREES TOPCO LIMITED

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless either the directors intend to liquidate the Group and the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering, non-compliance with implementation of government support schemes relating to COVID-19, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

We evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to loss reserves, and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with the directors and management their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Group and the Parent Company which were contrary to applicable laws and regulations, including fraud.

23.5 DEGREES TOPCO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 23.5 DEGREES TOPCO LIMITED

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the Group and the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Group and the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Parent Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.


Stephen Mills (Dec 21, 2021 15:45 GMT)

Stephen Mills (Senior statutory auditor)
for and on behalf of
Mazars LLP
Chartered Accountants and Statutory Auditor
5th Floor
Merck House
Seldown Lane
Poole
Dorset
BH15 1TW

Date: Dec 21, 2021

23.5 DEGREES TOPCO LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 AUGUST 2021

	Note	2021 £	2020 £
Turnover	4	66,716,851	35,682,990
Cost of sales		(37,635,099)	(21,981,807)
Gross profit		<u>29,081,752</u>	<u>13,701,183</u>
Administrative expenses		(18,204,919)	(17,122,891)
Other operating income	5	-	1,879,557
Fair value movements		34,813	21,113
Operating profit/(loss)	6	<u>10,911,646</u>	<u>(1,521,038)</u>
Interest payable and expenses	10	(906,969)	(889,157)
Profit/(loss) before taxation		<u>10,004,677</u>	<u>(2,410,195)</u>
Tax on profit/(loss)	11	(1,456,352)	-
Profit/(loss) for the financial year		<u><u>8,548,325</u></u>	<u><u>(2,410,195)</u></u>
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		<u><u>8,548,325</u></u>	<u><u>(2,410,195)</u></u>

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

The notes on pages 20 to 41 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	12	2,498,855	2,725,596
Tangible fixed assets	13	16,529,762	14,894,857
		<u>19,028,617</u>	<u>17,620,453</u>
Current assets			
Stocks	15	358,587	270,936
Debtors: amounts falling due after more than one year	16	251,317	251,317
Debtors: amounts falling due within one year	16	2,692,030	928,442
Cash and cash equivalents	17	15,445,558	9,096,506
		<u>18,747,492</u>	<u>10,547,201</u>
Creditors: amounts falling due within one year	18	(17,310,171)	(15,229,900)
Net current assets/(liabilities)		<u>1,437,321</u>	<u>(4,682,699)</u>
Total assets less current liabilities		<u>20,465,938</u>	<u>12,937,754</u>
Creditors: amounts falling due after more than one year	19	(17,091,649)	(18,111,790)
Net assets/(liabilities)		<u><u>3,374,289</u></u>	<u><u>(5,174,036)</u></u>
Capital and reserves			
Called up share capital	23	1,444	1,444
Share premium account	24	7,628,483	7,628,483
Profit and loss account	24	(4,255,638)	(12,803,963)
Total equity		<u><u>3,374,289</u></u>	<u><u>(5,174,036)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


Luca Contardo (Dec 21, 2021 15:29 GMT)

Mr L Contardo
Director

Date: Dec 21, 2021

The notes on pages 20 to 41 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2021

	Note	2021 £	2020 £
Fixed assets			
Investments in subsidiaries	14	2,500,100	2,500,100
		<u>2,500,100</u>	<u>2,500,100</u>
Current assets			
Debtors: amounts falling due within one year	16	4,390,907	4,094,466
Cash and cash equivalents	17	386,748	178,288
		<u>4,777,655</u>	<u>4,272,754</u>
Creditors: amounts falling due within one year	18	(609,446)	(346,187)
Net current assets		<u>4,168,209</u>	<u>3,926,567</u>
Total assets less current liabilities		<u>6,668,309</u>	<u>6,426,667</u>
Creditors: amounts falling due after more than one year	19	(62,998)	(58,332)
Net assets		<u><u>6,605,311</u></u>	<u><u>6,368,335</u></u>
Capital and reserves			
Called up share capital	23	1,444	1,444
Share premium account	24	7,628,483	7,628,483
Profit and loss account	24	(1,024,616)	(1,261,592)
Total equity		<u><u>6,605,311</u></u>	<u><u>6,368,335</u></u>

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the Parent Company for the year was £236,976 (2020: loss of £52,405).

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


Luca Contardo (Dec 21, 2021 15:29 GMT)

Mr L Contardo
Director

Date: Dec 21, 2021

The notes on pages 20 to 41 form part of these financial statements.

23.5 DEGREES TOPCO LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2021**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 September 2019	1,444	7,628,483	(10,393,768)	(2,763,841)
Comprehensive income for the year				
Loss for the year	-	-	(2,410,195)	(2,410,195)
Total comprehensive income for the year	-	-	(2,410,195)	(2,410,195)
At 1 September 2020	1,444	7,628,483	(12,803,963)	(5,174,036)
Comprehensive income for the year				
Profit for the year	-	-	8,548,325	8,548,325
Total comprehensive income for the year	-	-	8,548,325	8,548,325
At 31 August 2021	1,444	7,628,483	(4,255,638)	3,374,289

The notes on pages 20 to 41 form part of these financial statements.

23.5 DEGREES TOPCO LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2021**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 September 2019	1,444	7,628,483	(1,209,187)	6,420,740
Comprehensive income for the year				
Loss for the year	-	-	(52,405)	(52,405)
Total comprehensive income for the year	-	-	(52,405)	(52,405)
At 1 September 2020	1,444	7,628,483	(1,261,592)	6,368,335
Comprehensive income for the year				
Profit for the year	-	-	236,976	236,976
Total comprehensive income for the year	-	-	236,976	236,976
At 31 August 2021	1,444	7,628,483	(1,024,616)	6,605,311

The notes on pages 20 to 41 form part of these financial statements.

23.5 DEGREES TOPCO LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2021**

	2021	2020
	£	£
Cash flows from operating activities		
Profit/(loss) for the financial year	8,548,325	(2,410,195)
Adjustments for:		
Amortisation of intangible assets	496,741	468,082
Depreciation of tangible assets	3,358,338	3,211,239
Loss on disposal of tangible assets	79,159	275,615
Interest charge in the P&L	906,969	889,157
Taxation charge	1,456,352	-
(Increase) in stocks	(87,651)	(39,608)
(Increase)/decrease in debtors	(1,230,782)	960,629
(Decrease)/increase in creditors	(480,730)	3,211,566
Net fair value (gains)/losses recognised in P&L	(34,813)	21,113
Net cash generated from operating activities	<u>13,011,908</u>	<u>6,587,598</u>
Cash flows from investing activities		
Purchase of intangible fixed assets	(270,000)	(215,000)
Purchase of tangible fixed assets	(4,391,722)	(3,763,379)
Sale of tangible fixed assets	40,184	37,936
Net cash from investing activities	<u>(4,621,538)</u>	<u>(3,940,443)</u>
Cash flows from financing activities		
Repayment of bank loans	(284,211)	(284,210)
New finance leases	1,420,215	4,211,672
Repayments of finance leases	(2,656,443)	(485,328)
Interest paid	(520,879)	(535,567)
Net cash used in financing activities	<u>(2,041,318)</u>	<u>2,906,567</u>
Net increase in cash and cash equivalents	<u>6,349,052</u>	<u>5,553,722</u>
Cash and cash equivalents at beginning of year	9,096,506	3,542,784
Cash and cash equivalents at the end of year	<u><u>15,445,558</u></u>	<u><u>9,096,506</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u>15,445,558</u>	<u>9,096,506</u>

23.5 DEGREES TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2021

1. General information

The Company (No. 09180152) is a private company limited by shares, incorporated and registered in England and Wales. The address of the registered office of the Company is the same as that of all subsidiary undertakings, and is 3 Hedge End Retail Park, Charles Watts Way, Hedge End, Southampton, SO30 4RT.

The principle activity of the Company during the year was that of a holding company.

The principal activity of the Group during the year was the operation of franchised Starbucks outlets.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgement in applying the group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The Company is a qualifying entity for the purposes of FRS 102 and has elected to take the exemption under FRS 102, para 1.12 (b) not to present the Company Statement of Cash Flows.

The financial statements have been presented in Pounds Sterling as this is the currency of the primary economic environment in which the Group operates and are rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ('the Group') as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

2.3 Going concern

A review of the business is detailed within the Strategic Report on page 1 confirming the pleasing developments during the year that are in line with the strategic business plan. The directors have full commitment from investors and lenders to support the business strategy to roll out stores. The business has adequate funding and cash reserves to keep delivering its strategic objectives set by the board and in line with those objectives.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income within 'administrative expenses'.

2.5 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised.

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The point at which these conditions is considered to be met is at point of sale of goods within the stores.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021**

2. Accounting policies (continued)

2.6 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term.

2.7 Finance leases: the Group as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of Comprehensive Income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.8 Sale and leaseback

Where a sale and leaseback transaction results in a finance lease, where there is an excess of proceeds over the carrying amount of the asset, the gain is not initially recognised. Instead, the proceeds are presented as a liability and subsequently measured at amortised cost using the effective interest method.

2.9 Government grants

Grants are accounted for under the accruals model as permitted by FRS 102. Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income in the same period as the related expenditure.

No grants were received or accounted for during the year.

2.10 Interest payable and similar expenses

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

2.11 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021

2. Accounting policies (continued)

2.12 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

2.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021

2. Accounting policies (continued)

2.14 Intangible assets

Goodwill

Goodwill represents the difference between the consideration and associated costs paid in order to acquire a business, and the fair value of the acquirer's share of the identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and any accumulated impairment losses. Goodwill is amortised on a straight line basis charged to the Consolidated Statement of Comprehensive Income over its useful economic life.

Negative goodwill

Negative goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, negative goodwill is measured at cost less accumulated amortisation and accumulated impairment losses.

Negative goodwill is amortised on a straight line basis to the Statement of Comprehensive Income in administrative expenses.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is recognised in the Statement of Comprehensive Income in administrative expenses.

At each reporting date the Group assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is provided on the following bases: being the estimated useful life of the asset:

Goodwill	-	10 % per annum - straight line
Franchise fees	-	10 % per annum - straight line

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021**

2. Accounting policies (continued)**2.15 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the Group assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Long-term leasehold property	-	10% per annum
Plant and machinery	-	20% to 30% per annum
Fixtures, fittings and equipment	-	20% per annum
Computer equipment	-	33% per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.16 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.17 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

2.18 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.19 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021**

2. Accounting policies (continued)

2.20 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.21 Holiday pay accrual

A liability is recognised for any unused holiday pay entitlement which staff have not used at the year end. This is accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday pay entitlement as accrued at the Statement of Financial Position date.

2.22 Provisions for liabilities

Provisions are made where an event has taken place that gives the group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated Statement of Comprehensive Income in the year that the group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.23 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021**

2. Accounting policies (continued)

2.23 Financial instruments (continued)

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

23.5 DEGREES TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2021

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In applying the Group's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable.

Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting are recognised in the year in which the estimate is revised, if the revision affects only that year, in the year of the revision and future years, if the revision affects both current and future years.

3.1 Critical judgements in applying the Company's accounting policies

(i) Impairment of intangible assets

Intangible assets includes goodwill which is subject to impairment review as well as amortisation. In assessing the recoverability of goodwill, the Group makes judgements regarding whether impairment indicators exist based on legal factors, market conditions and operating performances of stores held. Assessment made on the basis of other factors may result in a different conclusion. Future events could cause the Group to conclude that impairment indicators exist and that the carrying values of these assets are impaired.

In assessing whether there have been any indicators of impairment of assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. There have been no indicators of impairments identified during the current financial year.

3.2 Key sources of estimation uncertainty

(ii) Depreciation of tangible fixed assets

Management provide for depreciation on the cost of tangible fixed assets over the assets' useful lives after taking their residual values into account. Management estimate the residual values as the amount currently obtainable from the disposal of the asset, after deducting the estimated disposal costs, if the asset were already of the age and in the condition expected at the end of its useful life. Management estimate the useful lives of assets based on past experience with similar assets.

4. Turnover

An analysis of turnover by class of business is as follows:

	2021 £	2020 £
Sale of goods	66,716,851	35,682,990

All turnover arose within the United Kingdom and is derived from the principal activity of operating franchised Starbucks outlets.

23.5 DEGREES TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2021

5. Other operating income

	2021 £	2020 £
Government grants receivable	-	1,879,557

Government grants receivable relate to the Coronavirus Job Retention Scheme and Business Rate Grants.

6. Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	2021 £	2020 £
Amortisation of intangible assets	496,741	468,082
Depreciation of tangible assets	3,358,338	3,211,239
Loss on disposal of tangible assets	79,159	275,615
Operating lease rentals	5,031,827	4,435,297

7. Auditor's remuneration

	2021 £	2020 £
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	28,510	19,200

Fees payable to the Group's auditor in respect of:

All other assurance services	29,100	7,200
Taxation compliance services	6,250	5,100
	<u>35,350</u>	<u>12,300</u>

23.5 DEGREES TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2021

8. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Wages and salaries	17,269,247	11,315,881	727,072	671,815
Social security costs	851,541	581,763	92,292	88,506
Other pension costs	124,031	143,304	36,498	34,659
	<u>18,244,819</u>	<u>12,040,948</u>	<u>855,862</u>	<u>794,980</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2021 No.	2020 No.
Production staff	1,348	874
Administrative staff	34	29
	<u>1,382</u>	<u>903</u>

9. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	709,406	760,322
Company contributions to defined contribution schemes	<u>36,247</u>	<u>34,659</u>

During the year retirement benefits were accruing to 4 directors (2020: 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £265,256 (2020: £210,522).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £1,317 (2020: £1,314).

There were no key management personnel receiving remuneration other than directors.

23.5 DEGREES TOPCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021**

10. Interest payable and similar expenses

	2021	2020
	£	£
Bank interest payable	554,430	566,988
Other interest payable	352,539	322,169
	<u>906,969</u>	<u>889,157</u>

£388,171 (2020: £361,465) of the bank interest payable relates to interest on loan notes payable in July 2023.

11. Taxation

	2021	2020
	£	£
Corporation tax		
Current tax on profits/(loss) for the year	1,989,158	-
Deferred tax		
Fixed asset timing differences	(528,405)	-
Short term timing differences	(4,401)	-
Total deferred tax	<u>(532,806)</u>	<u>-</u>
Taxation on profit/(loss)	<u>1,456,352</u>	<u>-</u>

23.5 DEGREES TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2021

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £	2020 £
Profit/(loss) before tax	10,004,677	(2,410,195)
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	1,900,889	(457,937)
Effects of:		
Expenses not deductible for tax purposes	93,229	139,747
Fixed asset timing differences	431,358	493,154
Remeasurement of deferred tax for changes in tax rates	(142,561)	(109,706)
Deferred tax not recognised on movement of losses	(826,563)	(65,258)
Total tax charge for the year	1,456,352	-

Factors that may affect future tax charges

The UK Government announced in the 2021 budget that from 1 April 2023, the rate of corporation tax in the United Kingdom will increase from 19% to 25%. Companies with profits of £50,000 or less will continue to be taxed at 19%, which is a new small profits rate. Where taxable profits are between £50,000 and £250,000, the higher 25% rate will apply but with a marginal relief applying as profits increase.

23.5 DEGREES TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2021

12. Intangible assets

Group

	Franchise fees £	Goodwill £	Negative goodwill £	Total £
Cost				
At 1 September 2020	1,555,000	3,401,374	(166,337)	4,790,037
Additions	270,000	-	-	270,000
At 31 August 2021	<u>1,825,000</u>	<u>3,401,374</u>	<u>(166,337)</u>	<u>5,060,037</u>
Amortisation				
At 1 September 2020	466,907	1,679,665	(82,131)	2,064,441
Charge for the year	173,237	340,138	(16,634)	496,741
At 31 August 2021	<u>640,144</u>	<u>2,019,803</u>	<u>(98,765)</u>	<u>2,561,182</u>
Net book value				
At 31 August 2021	<u>1,184,856</u>	<u>1,381,571</u>	<u>(67,572)</u>	<u>2,498,855</u>
At 31 August 2020	<u>1,088,093</u>	<u>1,721,709</u>	<u>(84,206)</u>	<u>2,725,596</u>

The goodwill relates to excess paid for 'bundle' stores when the 23.5 Degrees Group was set up.

Amortisation is included within administrative expenses.

The Parent Company doesn't hold any intangible fixed assets.

23.5 DEGREES TOPCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021**

13. Tangible fixed assets**Group**

	Long-term leasehold property £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Assets in the course of construction £	Total £
Cost						
At 1 September 2020	12,170,556	3,095,005	6,442,528	1,263,302	1,216,283	24,187,674
Additions	2,458,185	238,215	963,694	431,991	1,020,501	5,112,586
Disposals	(219,962)	(17,203)	(182,619)	(6,165)	(23,323)	(449,272)
Transfers between classes	434,444	31,887	104,111	4,745	(575,187)	-
At 31 August 2021	<u>14,843,223</u>	<u>3,347,904</u>	<u>7,327,714</u>	<u>1,693,873</u>	<u>1,638,274</u>	<u>28,850,988</u>
Depreciation						
At 1 September 2020	3,386,540	1,510,262	3,919,087	476,928	-	9,292,817
Charge for the year	1,329,701	603,064	987,472	438,101	-	3,358,338
Disposals	(135,174)	(11,422)	(180,380)	(2,953)	-	(329,929)
At 31 August 2021	<u>4,581,067</u>	<u>2,101,904</u>	<u>4,726,179</u>	<u>912,076</u>	<u>-</u>	<u>12,321,226</u>
Net book value						
At 31 August 2021	<u>10,262,156</u>	<u>1,246,000</u>	<u>2,601,535</u>	<u>781,797</u>	<u>1,638,274</u>	<u>16,529,762</u>
At 31 August 2020	<u>8,784,016</u>	<u>1,584,743</u>	<u>2,523,441</u>	<u>786,374</u>	<u>1,216,283</u>	<u>14,894,857</u>

Tangible fixed assets with a carrying value of £16,529,762 (2020: £14,894,075) are pledged as security for the group's finance leases and bank loans.

Tangible fixed assets with a carrying value of £9,110,517 (2020: £10,256,647) are held under finance leases.

The Parent Company doesn't hold any tangible fixed assets.

23.5 DEGREES TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2021

14. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost	
At 1 September 2020	2,500,100
Impairment for the year	-
At 31 August 2021	<u>2,500,100</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
23.5 Degrees Holdings Limited	Unit 3, Hedge End Retail Park Charles Watts Way, Hedge End, Southampton, United Kingdom, SO30 4RT	Holding company	Ordinary	100%
23.5 Degrees Limited *	Unit 3, Hedge End Retail Park Charles Watts Way, Hedge End, Southampton, United Kingdom, SO30 4RT	Operating of franchised Starbucks outlets	Ordinary	100%

Holdings indicated with (*) are held indirectly.

15. Stocks

	Group 2021 £	Group 2020 £
Finished goods	<u>358,587</u>	<u>270,936</u>

Stocks are stated net of a provision for impairment as at year end of £nil (2020: £nil).

Stock recognised in cost of sales during the year as an expense was £12,576,347 (2020: £8,184,986).

23.5 DEGREES TOPCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021**

16. Debtors

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Due after more than one year				
Prepayments and accrued income	251,317	251,317	-	-
	<u>251,317</u>	<u>251,317</u>	<u>-</u>	<u>-</u>
	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Due within one year				
Amounts owed by group undertakings	-	-	4,390,907	4,094,466
Other debtors	673,587	98,325	-	-
Prepayments and accrued income	1,485,637	830,117	-	-
Deferred taxation	532,806	-	-	-
	<u>2,692,030</u>	<u>928,442</u>	<u>4,390,907</u>	<u>4,094,466</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

17. Cash and cash equivalents

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Cash at bank and in hand	15,445,558	9,096,506	386,748	178,288
	<u>15,445,558</u>	<u>9,096,506</u>	<u>386,748</u>	<u>178,288</u>

23.5 DEGREES TOPCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021**

18. Creditors: amounts falling due within one year

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Bank loans (note 20)	378,947	284,211	-	-
Trade creditors	3,483,405	4,839,382	632	94,233
Amounts owed to group undertakings	-	-	317,390	-
Corporation tax	1,989,158	-	-	-
Other taxation and social security	495,769	1,070,027	35,881	36,708
Obligations under finance lease and hire purchase contracts	2,737,468	2,976,190	-	-
Other creditors	1,614,478	1,339,022	-	30,000
Accruals and deferred income	6,610,946	4,721,068	255,543	185,246
	<u>17,310,171</u>	<u>15,229,900</u>	<u>609,446</u>	<u>346,187</u>

The bank loan is secured by way of a debenture, dated 22 June 2018, incorporating a fixed and floating charge over the group's current and future assets.

The bank loan is held with HSBC Bank plc and is repayable over the period until June 2023. The interest rate on the loan is LIBOR + 2.73%.

The finance lease creditor is secured on the assets to which it relates.

19. Creditors: amounts falling due after more than one year

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Bank loans	5,568,421	5,947,368	-	-
Obligations under finance leases and hire purchase contracts	6,285,589	7,283,095	-	-
Other creditors	5,237,639	4,849,822	62,998	58,332
Accruals and deferred income	-	31,505	-	-
	<u>17,091,649</u>	<u>18,111,790</u>	<u>62,998</u>	<u>58,332</u>

23.5 DEGREES TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2021

20. Loans

Analysis of the maturity of loans is given below:

	Group 2021 £	Group 2020 £
Amounts falling due within one year		
Bank loans	378,947	284,211
	<hr/>	<hr/>
Amounts falling due 1-2 years		
Bank loans	378,947	378,947
	<hr/>	<hr/>
Amounts falling due 2-5 years		
Bank loans	5,189,474	5,568,421
	<hr/>	<hr/>
	<u>5,947,368</u>	<u>6,231,579</u>

The bank loan is secured by way of a debenture, dated 22 June 2018, incorporating a fixed and floating charge over the group's current and future assets.

The bank loan is held with HSBC Bank plc and is repayable over the period until June 2023. The interest rate on the loan is LIBOR + 2.73%.

21. Finance leases

Minimum lease payments under finance leases fall due as follows:

	Group 2021 £	Group 2020 £
Within one year	2,737,468	2,976,190
Between 1-5 years	6,285,589	-
	<hr/>	<hr/>
	<u>9,023,057</u>	<u>2,976,190</u>

23.5 DEGREES TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2021

22. Deferred taxation

Group

	2021 £
At beginning of year	-
Charged to profit or loss	532,806
At end of year	<u>532,806</u>

The deferred tax asset is made up as follows:

	Group 2021 £
Fixed asset timing differences	528,405
Short term timing differences	4,401
	<u>532,806</u>

23. Called up share capital

	2021 £	2020 £
Allotted, called up and fully paid		
250,000,000 (2020: 250,000,000) Ordinary A shares of £0.000001 each	250	250
37,783 (2020: 37,783) Ordinary B shares of £0.010000 each	378	378
30,200 (2020: 30,200) Ordinary C shares of £0.010000 each	302	302
100,000 (2020: 100,000) Ordinary D shares of £0.000001 each	-	-
513,744,000 (2020: 513,744,000) Ordinary shares of £0.000001 each	514	514
10,000 (2020: 10,000) Ordinary E shares of £0.000001 each	-	-
36,000 (2020: 36,000) Ordinary F shares of £0.000001 each	-	-
9,000 (2020: 9,000) Ordinary G shares of £0.000001 each	-	-
22,400 (2020: 22,400) Preference shares shares of £0.000001 each	-	-
	<u>1,444</u>	<u>1,444</u>

All shares have full voting, dividend and capital distribution (including on winding up) rights; they do not contain any right of redemption.

23.5 DEGREES TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2021

24. Reserves

Share premium account

This account represents the consideration received by the Company in exchange for newly-issued shares, which is in excess of the nominal value of those shares issued.

Profit and loss account

This account represents the cumulative profits and losses of the Group.

25. Consolidated analysis of net debt

	At 1 September 2020 £	Cash flows £	At 31 August 2021 £
Cash at bank and in hand	9,096,506	6,349,052	15,445,558
Debt due after 1 year	(5,947,368)	378,947	(5,568,421)
Debt due within 1 year	(284,211)	(94,736)	(378,947)
Finance leases	(10,259,285)	1,236,228	(9,023,057)
	<u>(7,394,358)</u>	<u>7,869,491</u>	<u>475,133</u>

26. Capital commitments

At 31 August 2021 the Group had capital commitments as follows:

	Group 2021 £	Group 2020 £
Contracted for but not provided for	<u>359,809</u>	<u>1,292,575</u>

The Company had no capital commitments as at the reporting date.

27. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £160,028 (2020: £143,304). Contributions totalling £37,478 (2020: £51,551) were payable to the fund at the reporting date and are included in creditors.

23.5 DEGREES TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2021

28. Commitments under operating leases

At 31 August 2021 the Group had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2021 £	Group 2020 £
Not later than 1 year	4,902,002	4,231,197
Later than 1 year and not later than 5 years	19,081,644	16,596,768
Later than 5 years	40,015,877	35,133,016
	<u>63,999,523</u>	<u>55,960,981</u>

29. Related party transactions

Group Companies

During the year the Parent Company entered into transactions, in the ordinary course of business, with other group companies or related parties. The Parent Company has taken advantage of the exemption under paragraph 33.1A of FRS102 not to disclose transactions with fellow group companies.

S H Recruitment & HR Solutions Limited

During the year, a company with a common director provided services to 23.5 Degrees Limited amounting to £411,000 (2020: £279,000). The balance due to S H Recruitment & HR Solutions Limited at the year end was £nil (2020: £nil).

30. Events after the end of the reporting period

There were no events after the end of the reporting period affecting the Group and Company.

The Group has also rolled out 2 new drive through stores underpinning its strategy to keep rolling out this type of assets in the coming years. One in October and one in November.

31. Controlling party

The directors do not deem there to be a single ultimate controlling party.